

MILNE POINT UNIT
FIFTH REVISION OF THE KUPARUK PARTICIPATING AREA

DECISION AND FINDINGS OF THE COMMISSIONER
ALASKA DEPARTMENT OF NATURAL RESOURCES .

March 14, 1989

MILNE POINT UNIT
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I. INTRODUCTION AND BACKGROUND

The Milne Point Unit is an oil and gas unit located on the Alaska North Slope immediately northwest of the Prudhoe Bay Unit. It was approved by the Alaska Department of Natural Resources on October 29, 1979, effective retroactive to September 28, 1979.

The Milne Point Unit Agreement was modeled after the State of Alaska's Standard Unit Agreement form, which provides for operation of the leases within the unit area as a single entity without regard to lease boundaries and diverse ownership of the leases. The unit is operated in conformance with annual plans of development and operation approved by the Department of Natural Resources. Conoco, Inc. is the Unit Operator of the Milne Point Unit.

The Kuparuk Participating Area consists of the leases and portions of leases within the Milne Point Unit that have been determined to be underlain by hydrocarbons and capable of producing or contributing to production of hydrocarbons from the Kuparuk Reservoir in paying quantities. Only leases that are either partially or wholly included within the Kuparuk Participating Area can have oil production from that reservoir allocated to them. Although there are apparently several prospective oil and/or gas reservoirs underlying the Milne Point Unit Area, the Kuparuk Reservoir is the only hydrocarbon pool that is currently commercially productive. Other potential reservoirs, such as the Shallow Oil Sands, so far have not been determined to be capable of production of hydrocarbons in paying quantities.

The initial Kuparuk Participating Area was approved by the Department of Natural Resources on April 20, 1982, effective retroactive to April 15, 1980. The initial Participating Area encompassed 9341 acres of the total unit area of 21,072 acres. The first revision of the Kuparuk Participating Area was approved on February 15, 1983, with an effective date of September 1, 1982. This first revision added 2907.25 acres while deleting 1440 acres from the initial participating area. The net result was the inclusion of an additional 1467.25 acres in the participating area.

The Kuparuk Participating Area was revised a second time to include an additional 280 acres. With this second revision, effective November 1, 1983, the participating area encompassed 11,088.25 acres, more or less.

A third revision to the participating area was approved by the division on February 29, 1985, effective retroactive to September 1, 1984. This revision added portions of two oil and gas leases (ADLs 25509 and 315848) containing 2702 acres. The Kuparuk Participating Area contained 13,790.25 acres after the third revision.

The fourth revision of the Kuparuk Participating Area and a revision of the Allocation of Production and Costs was approved by the division on January 16, 1986, effective retroactive to October 1, 1985. This revision deleted Tract 1 (ADL 47432) and Tract 1A (ADL 319717) from the participating area. With the fourth revision, the Kuparuk Participating Area of the Milne Point Unit presently contains 12,766 acres of the total unit area of 35,744 acres.

II. APPLICATION FOR FIFTH REVISION OF THE KUPARUK PARTICIPATING AREA

On September 16, 1988, Conoco, Inc., the Unit Operator, on behalf of itself and the other Working Interest Owners, made an application for, among other things, a fifth revision of the Kuparuk Participating Area of the Milne Point Unit under 11 AAC 83.351(c). The other requests were handled separately. The application for expansion of the participating area proposed to add a portion of oil and gas lease ADL 28231 (Tract 8) containing approximately 596.5 acres to the Kuparuk Participating Area, thereby expanding the Kuparuk Participating Area to 13,362.5 acres, more or less. The lease proposed for partial inclusion in the Participating Area reserves a 12.5 percent royalty to the State, which is free and clear of field costs.

The Fifth Revision of the Kuparuk Participating Area was proposed to be effective as of November 1, 1988.

III. GEOLOGICAL AND ENGINEERING CHARACTERISTICS OF THE PROPOSED EXPANSION AREAS

Staff members of the Division of Oil and Gas met with representatives of the Unit Operator, Conoco, Inc., to discuss confidential and nonconfidential information in support of the application for expansion of the Kuparuk Participating Area. At this meeting, the Unit Operator presented engineering information and confidential structure contour and hydrocarbon-foot maps applicable to the proposed expansion area. At the request of division staff, the Unit Operator subsequently supplied individual well production curves and a summary of the pressure data for Milne Point Unit wells that are adjacent to the proposed participating area expansion in Tract 8 (ADL 28231).

Upon review of the geological, geophysical, and engineering data submitted in support of the proposed expansion, the Department of Natural Resources determined that portions of ADL 28231 (Tract 8) are capable of producing or contributing to the production of hydrocarbons in paying quantities. These portions therefore warrant inclusion into the Kuparuk Participating Area of the Milne Point Unit.

IV. FINDINGS AND DECISION

Considering the facts discussed in this document and the administrative record, and considering the applicable regulations, I hereby find:

1. Under 11 AAC 83.351(c), a participating area must be expanded to include acreage reasonably estimated through the use of geological, geophysical, and engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities.
2. Under 11 AAC 83.303(c), the department will consider the factors specified in 11 AAC 83.303(a) and (b) when evaluating requests concerning participating areas.
3. The available geological, geophysical and engineering data and discussions with the Unit Operator support the decision to expand the Milne Point Unit, Kuparuk Participating Area to include the following lands:


T13N, R11E, UM, Sec. 29: W/2 NW/4; Sec. 30: W/2, NE/4. These lands contain 556.5 acres, more or less.

The Milne Point Unit Agreement provides for further expansions and contractions of the participating area in the future as warranted on the basis of further drilling or by additional information. Therefore, this expansion continues to allow the Milne Point Unit Agreement to protect the public interest in conservation of resources and protection of economic and physical waste, and the correlative rights of all parties affected by this expansion, including the State.

4. Within 60 days of the Effective Date of this Decision and Findings, the Unit Operator shall submit to the State updated Exhibits A and B to the Milne Point Unit Agreement and a revised Tract Participation Schedule reflecting the approved areas as set out in this Decision and Findings.
5. Diligent exploration and delineation of all reservoirs underlying the proposed expansion area will be conducted by the Unit Operator under the Milne Point Unit Plans of Development and Operation approved by the State.
6. This expansion of the Milne Point Unit Participating Area will be effective retroactively as of 12:01 a.m. November 1, 1988.


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For these reasons and subject to the conditions and limitations noted, I hereby approve the Fifth Revision of the Milne Point Unit, Kuparuk Participating Area.


James E. Eason, Director
Division of Oil and Gas

March 14, 1989
Date

For: Lennie Gorsuch, Commissioner
Alaska Department of Natural Resources

Attest: 
Date: 3-14-89

Attest: 
Date: 3-14-89

Attachment: Delegation of Authority from Commissioner, Alaska
Department of Natural Resources, to Director, Division
of Oil and Gas, dated February 16, 1989.

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